National
Foreign
Assessment
Center

~~Secret~~
NOFORN-NOCONTRACT

Japan's Changing Relations With China and the USSR

A Research Paper

~~Secret~~

PA 81-10040
February 1981
Copy 036

Warning Notice	Intelligence Sources and Methods Involved (WNINTEL)
National Security Information	Unauthorized Disclosure Subject to Criminal Sanctions

Dissemination Control Abbreviations		
	NOFORN (NF)	Not releasable to foreign nationals
	NOCONTRACT (NC)	Not releasable to contractors or contractor/consultants
	PROPIN (PP)	Caution—proprietary information involved
	NFIBONLY (NO)	NFIB departments only
	ORCON (OC)	Dissemination and extraction of information controlled by originator
	REL...	This information has been authorized for release to...
	FGI	Foreign government information

[redacted]

[redacted]
Review 20 years from date
Derived from multiple sources

All material on this page
is unclassified.

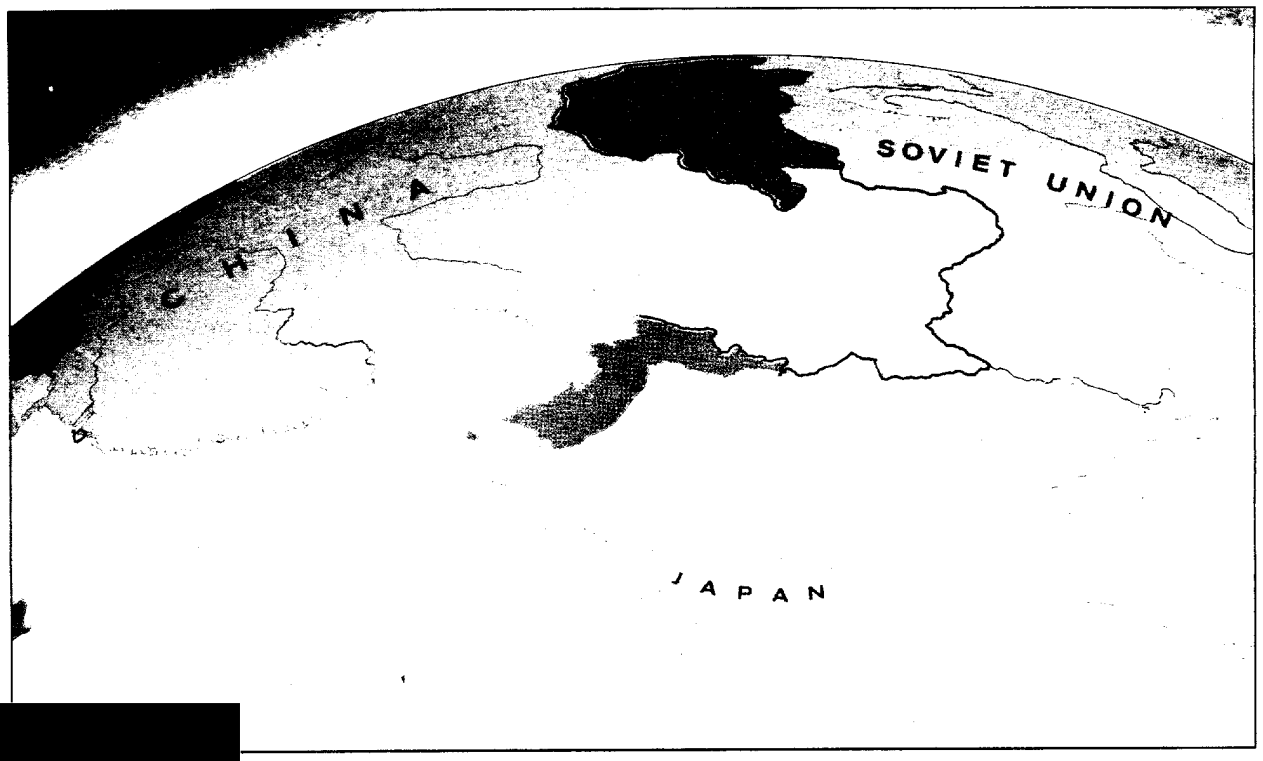
National
Foreign
Assessment
Center

Japan's Changing Relations With China and the USSR [redacted]

A Research Paper

Research for this report was completed on 10 December 1980.

[redacted]



[redacted]

920565 35

Japan's Changing Relations With China and the USSR

Overview

Japan's tilt toward China and away from the USSR over the past decade portends a fundamental shift in the strategic equilibrium in Northeast Asia. Tokyo can no longer plausibly claim—as it did in the mid-1970s—to be pursuing an evenhanded policy toward the two Communist powers. Instead, Tokyo is steadily weaving closer ties with Beijing, while its relations with Moscow have cooled considerably.

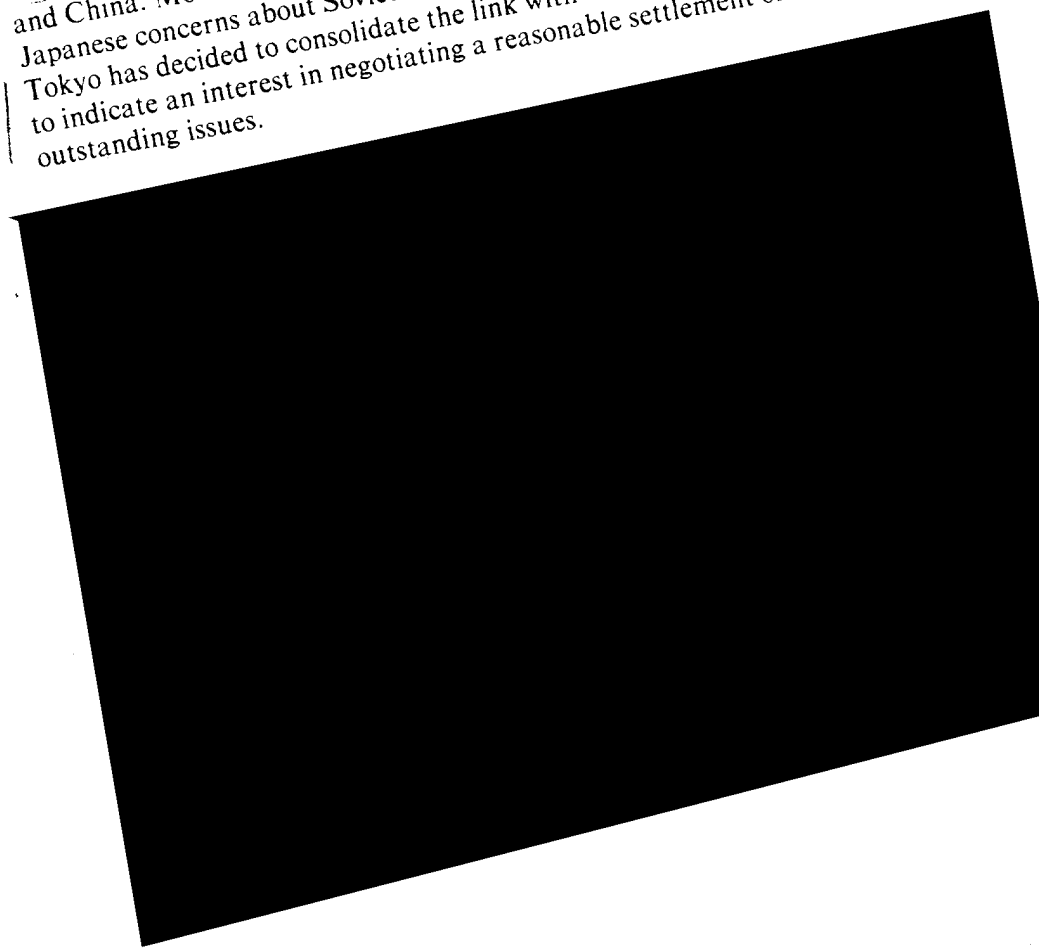
Barring unexpected changes in the determinants shaping Tokyo's policy, Soviet-Japanese relations probably will remain cool through at least the mid-1980s. Sino-Japanese relations, on the other hand, probably will continue to grow stronger. On the assumption that this will take place in a context of continued coolness in US-Soviet relations, a healthy US-Japan alliance, and further improvement in Sino-US relations, the Soviet Union will find itself increasingly isolated in Northeast Asia.

This does not mean that Japan desires to align itself with China against the Soviet Union or to adopt an antagonistic stance toward that country. The Japanese Government believes that either policy would endanger national security and will be careful that the realignment does not proceed too far. Particularly in areas of Soviet sensitivity, Tokyo will resist pressure to make its policies conform to those of Beijing. Moreover, Japan is likely to experience frustration in its economic dealings with China and to retain a lively interest in stable, if not greatly expanded, trade with the USSR.

[redacted]

Nonetheless, Tokyo has decided that its policies cannot remain unaffected by the policies that China and the Soviet Union adopt toward Japan. China has demonstrated that it desires good relations with Japan, but the Soviet

Union has been unwilling to take the steps that Tokyo believes are necessary to improve bilateral relations and objects to friendly relations between Japan and China. Moreover, the Soviet invasion of Afghanistan has heightened Japanese concerns about Soviet foreign and defense policies. As a result, Tokyo has decided to consolidate the link with Beijing and wait for Moscow to indicate an interest in negotiating a reasonable settlement of their outstanding issues.



920565 '35

Contents

		Page
Overview		iii
Tilt Toward China		1
	Hopes for Balanced Relations: 1972-74	1
	Policy Paralysis at Mid-Decade	2
	An End to Evenhandedness: 1978-80	2
	Current Trends	3
Key Determinants of Japanese Policy		4
	Strategic Considerations	4
	Impact of Changing Relations Among the Big Powers	4
	Role of Independent Japanese Judgments	6
	Economic Considerations	7
	Trade	7
	Resource Development Projects	10
	Political Considerations	15
Prospects		17
	Continued Drift Toward Beijing	17
	Alternative Scenarios	19

Appendixes

A.	Japan's Trade With China and the USSR, 1970-79	22
B.	Japanese-Supported Resource Development Projects in China and the USSR, 1970-79	23

920565 •35

Appendix Tables

A-1.	Japan's Trade With China and the USSR	21
A-2.	Japanese Imports of Fuels From China and the USSR	21
A-3.	Japanese Imports of Wood From the USSR	22
A-4.	Japanese Exports of Machinery to China and the USSR	22
A-5.	Japanese Exports of Steel to China and the USSR	22
B-1.	Officially Backed Japanese Loan Commitments Related to Resource Development Projects: USSR	23
B-2.	Japanese-Supported Resource Development Projects: USSR	24
B-3.	Possible Future Japanese-Supported Resource Development Projects: USSR	25
B-4.	Officially Backed Japanese Loan Commitments Related to Resource Development Projects: China	26
B-5.	Japanese-Supported Resource Development Projects: China	27
B-6.	Possible Future Japanese-Supported Resource Development Projects: China	28

Figures

1.	Japan's Trade With China and the USSR	8
2.	Japan's Imports From China and the USSR	9
3.	Japan's Exports to China and the USSR	10
4.	Japanese-Supported Resource Development Projects	12
5.	Japanese Loan Commitments Related to Resource Development Projects in China and the USSR	13
6.	Japanese Attitudes Toward the United States, China, and the USSR	16

Japan's Changing Relations With China and the USSR [redacted]

Tilt Toward China

Japan's relations with the two Communist powers that dominate the Asian continent have undergone a fundamental change over the past decade. The process of change has moved through two distinct periods. The first covered approximately 1972-74, while the second began in 1978 and may not yet have concluded. At the beginning of the 1970s, the Japanese Government was attempting to maintain a reasonable balance in its approach to the two rival Communist states and had reason to hope that it could improve relations with both. By the end of the decade, the Japanese had succeeded in strengthening their ties with China, but relations with the USSR had deteriorated, and Tokyo could no longer plausibly claim to be pursuing an evenhanded policy toward the two powers. [redacted]

Hopes for Balanced Relations: 1972-74

In the early 1970s, conditions appeared to the Japanese to be exceptionally propitious for a major improvement in their relations with both China and the Soviet Union. The United States' opening to China and the relaxation of US-Soviet tensions cleared the way for the Japanese to work out an accommodation of their own with the Chinese and to attempt an improvement in relations with Moscow. The restoration of diplomatic relations with China proved easy enough. Even before Tanaka became Japanese Prime Minister in July 1972, Beijing made it clear that it was prepared to negotiate a reasonable agreement. [redacted]. The Tanaka–Chou Enlai Joint Statement of 29 September 1972 laid to rest the critical Taiwan issue that had blocked the normalization of relations. [redacted]

Tanaka next moved to achieve a similar breakthrough on the Soviet front. Although diplomatic relations had been restored in 1956, Japan and the Soviet Union had never agreed on a peace treaty after World War II. The only obstacle to such a treaty was Moscow's refusal to return four small islands north of Hokkaido—the so-called Northern Territories—that it had seized in the closing days of the war and that the Japanese consider an integral part of their homeland. [redacted]

Tanaka apparently calculated that the prospect of rapidly warming relations between Japan and Moscow's Chinese antagonists would be sufficient inducement for the Soviets to think seriously about relaxing their grip on the disputed islands. In addition, the Soviets were displaying more interest in involving Japan in the economic development of Siberia. Part of Tanaka's strategy seems to have been to give the Soviets concrete incentives to come to terms on the territorial issue by cultivating their desire for large-scale Japanese participation in various Siberian resource development schemes. Immediately after his trip to China, the Prime Minister sent Foreign Minister Ohira to Moscow to prepare the way for him to make a visit to the Soviet Union, a trip viewed as the logical sequel to Tanaka's pilgrimage to Beijing. [redacted]

The Tanaka-Brezhnev summit in Moscow in October 1973 proved to be the apex of Soviet-Japanese cordiality. Brezhnev spoke enthusiastically of the advantages both parties would derive from economic cooperation in Siberia; Tanaka responded positively and the following April released $1 billion in Export-Import Bank credits for three large Siberian development projects. Tanaka also vigorously presented Japan's case for return of the Northern Territories. Although Brezhnev promised nothing, he held out the hope of flexibility by permitting the territorial issue to be included—if only implicitly—on the list of issues to be discussed during any future peace treaty negotiations. [redacted]

Tokyo found the Chinese responding to its courtship of the Soviet Union with a two-track strategy. Beijing worked to sustain the momentum built up in the normalization process, cultivating allies throughout the Japanese political world, promoting rapid trade expansion, and professing a desire to press ahead on a treaty

of peace and friendship. At the same time, Beijing insisted that true friendship must be based on common principles—most notably the principle of opposition to efforts by third countries (i.e., the USSR) to establish hegemony in the Asia-Pacific area. Already enshrined in the 1972 Tanaka-Chou Joint Statement, this principle, the Chinese said, would have to be incorporated in any future treaty between the two countries [redacted]

The Soviet leadership apparently concluded that, in the long run, the USSR would lose more than it gained if it gave up the Northern Territories in return for a peace treaty. Moscow was not willing to moderate its position on the Northern Territories, even though it was anxious to obtain additional Japanese assistance in developing Siberia; the Soviets even asserted, with increasing vigor, that they had no intention of ever returning the islands. The USSR may have taken this hard line in part because it calculated that economic self-interest would prove stronger than nationalism, that the Japanese would not permit their desire for reversion of the islands to interfere with their access to Siberian resources, and that ultimately they would permit the territorial issue to fade away. At the same time that the Soviets forced the indefinite postponement of a Soviet-Japanese peace treaty, they also made clear that they would view as unfriendly and provocative a Japanese decision to sign a peace treaty with China that included an "antihegemony" clause. [redacted]

Policy Paralysis at Mid-Decade

Bent on establishing good or at least businesslike relations with both the Soviet Union and China, Tokyo found itself in an increasingly awkward position and with not as much leverage or freedom of maneuver as it apparently believed it had when it embarked on its peace offensive in 1972. By 1976-77, the Japanese Government had reached an impasse. Tokyo's dilemma arose in part from the way in which it defined Japan's security and foreign policy interests. Prime Minister Fukuda summed up some of the most important policy goals in his call for an "omnidirectional, equidistant" peace diplomacy. This seemingly vacuous formula actually expressed a hardheaded assessment that it was in Japan's interest, first, to keep out of the Sino-Soviet dispute by maintaining an equidistant position between the two great Communist antagonists; and second, to adopt an accommodating, nonthreatening posture toward the outside world in general but particularly toward the Soviet Union and China, the only countries that represent a potential threat to Japanese security [redacted]

With Moscow and Beijing each attempting to draw Japan to its side or, failing that, to ensure that Japan did not gravitate toward the other, Tokyo's determination to maintain an "equidistant position" mortgaged its policy to the Communist power least disposed to strengthen relations with Japan. [redacted]

For several years, the situation remained frozen. If it changed at all, Japan's relations with both countries cooled. [redacted] The public also was gradually becoming more aware of the growing Soviet military presence in the Far East, and Japanese businessmen were discovering that dealing with the Soviets was more difficult than they had anticipated at the beginning of the decade. With regard to China, many Japanese were apprehensive that the growing strength of the radical "Gang of Four" might damage bilateral trade and presage a revival of antiforeign sentiment and the reappearance of some of the excesses of the Cultural Revolution. [redacted]

An End to Evenhandedness: 1978-80

The stalemate in Japan's relations with China and the Soviet Union was broken by the purge of the Gang of Four in October 1976. The moderates who came to power emphasized modernization and thought that foreign assistance would accelerate the process. The Japanese believed the renewed Chinese interest in a treaty stemmed from the growing status of Deng Xiaoping—leader of the moderates—and his apparent belief that Japan could play an important role in China's modernization. That Deng, no less than those he supplanted, wanted to turn Japan against the Soviet Union did not in the end pose an insurmountable obstacle to Prime Minister Fukuda, because he had no intention of permitting Japan to be turned against anyone and because Deng proved sufficiently flexible to permit a compromise. [redacted]

925565 •35

As the prospects for an eventual agreement between China and Japan improved, Moscow set about trying to derail the process. The approach that it chose emphasized threats and pressure and proved counterproductive. Official statements and propaganda directed toward Japan warned of unspecified dire consequences if Tokyo signed a treaty containing an antihegemony clause. Not coincidently, at least in Japanese eyes, the Soviets began to strengthen their garrison in the Northern Territories, thereby underlining the ease with which their armed forces could be brought to bear against Japan and their determination to incorporate the disputed islands permanently into the USSR. The rhetorical threats and the military gestures took place against a backdrop of what the Japanese began to see as a steady and increasingly troublesome Soviet military buildup in the Far East.

The Japanese Government refused to be intimidated; on 12 August 1978 it signed a Peace and Friendship Treaty with China that bound both countries to oppose hegemony—as Beijing had insisted—but left each free to define its own position toward third countries—as Japan wanted. Tokyo was satisfied that the treaty did not commit Japan to concrete actions against the Soviet Union and stressed in its explanations to the Soviets that it had no intention of participating in an anti-Soviet cabal. At the same time, Tokyo felt little need to go beyond that assurance, when the USSR displayed so little interest in responding to Japanese desires and few inhibitions about trampling on Japanese sensibilities.

In general, the position taken by the Fukuda government may be summed up as follows:

- Although Japan would prefer to maintain a balance in its relations with China and the Soviet Union, its policies can no longer be unaffected by those that China and the Soviet Union adopt toward Japan.

- China has shown that it wishes friendly relations with Japan. If the Soviet Union not only is unwilling to take steps necessary to improve relations with Japan but objects to friendly relations between Japan and China, then so much the worse for the Soviet Union; Japan will proceed to improve relations with China. If, however, the Soviet Union ever sincerely decides to pursue a rapprochement with Japan, it will find that Tokyo is ready to respond positively. In any case, Japan will not permit its China policy to be dictated by the Soviet Union, nor will it permit itself to be coerced.

- Despite any impression that Beijing may try to create about the character of the emerging Sino-Japanese relationship, Japan will not align itself with China against the USSR.

Current Trends

The trends in Sino-Japanese-Soviet relations already in evidence in 1978 were reinforced by the signing of the Peace and Friendship Treaty and, as of late 1980, are continuing in the same direction.

The strengthening of Japanese-Chinese relations was symbolically confirmed by Prime Minister Ohira's visit to Beijing in December 1979 and Premier Hua Guofeng's reciprocal trip to Tokyo in May 1980. This exchange of visits by the heads of the two governments—the first in the history of Sino-Japanese relations—together with Hua's attendance at Ohira's funeral in June, closed the cycle that Ohira, as foreign minister, had helped to open eight years earlier, when he set the stage for the 1972 Tanaka-Chou summit.

Before he died, Ohira made it clear to the Chinese that the time had come to move beyond sentiment and ritual to substance. The basic framework of treaties and agreements was in place. The governments of the two countries had met and held discussions at the highest levels. There were many indications that both sides were firmly committed to a sustained, long-term effort to consolidate friendly relations with one another. Now, Ohira asserted, Japan and China must give substance to the relationship, most importantly by expanding Sino-Japanese economic ties, and also by broadening the range of political issues that could be discussed frankly

One sign of a more mature relationship, Ohira believed, would be a less compliant and more straighforward Japanese approach to China. Far from indicating a cooling of Japan's friendship with China, this would mark a transition to what Ohira described as true friendship, involving a recognition and tolerance of one another's shortcomings and of the differences of opinion that would be certain to arise.

Ohira demonstrated what he meant by stressing publicly that, although good relations with China were important to Japan, they would have to be conducted in the context of Japan's relations with other countries, particularly the member states of the Association of Southeast Asian Nations and the United States. Furthermore, although Japan would do its best to support the modernization of China's economy, it would not help with China's military modernization or support China's anti-Soviet policies.

The Chinese appear to have accepted Ohira's characterization of the spirit in which future Sino-Japanese relations should be conducted. To the extent that the two governments manage to act in this spirit, the chances that the relationship will prove resilient enough to absorb occasional setbacks will be enhanced.

A certain amount of distrust between Tokyo and Moscow was probably inevitable in the wake of the signing of the Peace and Friendship Treaty. Nevertheless, Tokyo clearly wished to contain the damage done to the Japanese-Soviet relationship and almost certainly would have tried to improve ties with Moscow had the Soviets not invaded Afghanistan, by coincidence only two weeks after Ohira returned home from his highly successful summit meeting with Hua.

The invasion has added new difficulties to Japan's relations with the Soviet Union—not that it has reversed or drastically altered existing patterns but it has accelerated and reinforced trends already in progress. Japanese antipathy toward and distrust of the Soviet Union have reached what may be postwar highs. Apprehension about Soviet intentions and about the implications of a militarily stronger USSR has intensified,

Union. All of these moves have intensified Soviet coolness toward the Japanese Government.

Tokyo will attempt to curtail this potentially dangerous trend. The new Suzuki government has already expressed interest in restoring a measure of normality to Japanese-Soviet relations. It has also taken the position, however, that if the Soviet Union wishes an improvement in relations it will have to take the initiative, not only on the longstanding territorial issue but also on Afghanistan. On neither issue have the Soviets conceded that there is even a problem to be discussed.

Key Determinants of Japanese Policy

Strategic Considerations

The evolution of Japan's relations with its two powerful Communist neighbors has been a product of a complex of interrelated forces. Among them, none has been more important than the shifting strategic equilibrium among the four major actors engaged in Northeast Asia.

Impact of Changing Relations Among the Big Powers. Throughout the 1970s, the Japanese Government was fairly confident that at least two features on the international landscape would remain reasonably stable.

tent. Although in some ways this framework operated as a constraint on Japanese freedom of action, it also strengthened Japan's position in its dealings with Moscow and Beijing.

920565 '35

The government's second assumption was that Sino-Soviet relations would remain antagonistic or at least cool. The Japanese seem never to have believed that relations between China and the Soviet Union might heal sufficiently to permit the two rivals to coordinate their policies toward third countries. Since at least the late 1960s, therefore, Japan no longer has had to worry that its two most important potential enemies might join forces against it as they had in the early 1950s. This appraisal has greatly enhanced Japan's sense of security. In principle, it should also have increased Tokyo's ability to maneuver between the two Communist powers.

From the Japanese perspective, the seminal development that transformed relations throughout the four-power system was the Sino-US rapprochement engineered at the beginning of the 1970s.

Tokyo was aware that the hand of friendship that China was extending to Japan and the United States was guided by a calculated intent to isolate the Soviet Union. Tokyo also believed, however, that Washington intended to use improved relations with China to give the Soviets an incentive to improve their own relations with the United States. In the US scenario, detente along one axis would be the prelude to detente rather than confrontation along the other. US efforts to promote a relaxation of tensions with the Soviets not only provided Tokyo with a model that it found attractive—and certainly preferable to that of China's hostility toward Moscow—it also cleared the way for Japan to emulate that model. As in the case of Sino-Japanese ties, progress in improving Japanese-Soviet relations no longer seemed likely to create stress in Japan's relations with the United States.

Even as the Japanese prepared to conclude the Peace and Friendship Treaty, they insisted that the completion of the normalization process with China should be considered a positive bilateral development with no significant negative implications for other countries. Tokyo seems to have calculated that once the treaty was signed Soviet antipathy toward Japan would prove short lived

In retrospect, this estimate seems to have resulted partially from wishful thinking. It is now clear that Japan's growing relationship with China carries with it more substantial external costs than the Japanese probably expected or believe they should have to pay. Some Japanese suspect, for example, that the securing of China's Japanese flank may have helped free the Chinese to invade Vietnam, an act that helped Moscow strengthen its position in Hanoi.

Tokyo is also discovering that better Sino-Japanese relations are a persistent source of tension in Japan's relations with the Soviet Union. Even before Afghanistan, it was clear—especially to the Soviets—that the cumulative effect of a solid Japanese-US alliance, improving Sino-US relations, and the continuing consolidation of relations between China and Japan would be the coalescence of a trilateral entente. It was also clear that none of the three was well disposed toward the USSR and that each, with varying degrees of intensity, viewed that country as the principal threat to its security. Thus, the Soviet leadership had good reason to suspect that an anti-Soviet coalition was in the making. If such a coalition jelled into the equivalent of an alliance, the national security interests of the USSR would be gravely affected. Hence the unremitting Soviet effort to warn all concerned—particularly Japan, the weakest and most susceptible to intimidation—that it would view with alarm further movement in that direction.

Nevertheless, the Soviet Union invaded Afghanistan. In this case it seems to have been the Soviets who miscalculated the effect of their actions on others. The United States is increasing defense spending, pressing its allies—including Japan—to follow suit, and opening the door to the transfer of nonlethal military equipment to China.

Although the extent of the Japanese reaction can be overdramatized, there is no doubt that the invasion had a strong effect and helped alter the terms of reference of the domestic debate on security and foreign policy issues.

As for China, it has applauded the reaction in the United States and Japan and has invited the two countries—somewhat to their embarrassment—to join with it in a worldwide anti-Soviet united front. By invading Afghanistan, the Soviet Union has given a powerful impetus to those trends in US-Japan-China relations that it finds most disturbing.

Role of Independent Japanese Judgments.

. Moreover, actions by the United States, China, or the USSR often seem to have a controlling influence over Japanese policy. Nonetheless, this is not an adequate explanation of developing Japanese policy toward China and the Soviet Union.

Japan has its own interpretation of where its strategic and foreign policy interests lie, and the broad outlines of the policies it has devised to protect these interests are clear. First, the Japanese Government believes more strongly now than 10 years ago that Japan must maintain strong, friendly relations with the United States. This has implications for how Japan will manage its relations with China and the Soviet Union:

- The Soviets must not be afforded opportunities to foment discord between Japan and the United States.
- Japan must not submit to Soviet pressure to weaken its security ties with the United States.
- If relations between the United States and the Soviet Union deteriorate, in general Japan should side with Washington.
- China must not be permitted to become a source of rivalry and distrust between Japan and the United States. Japan should work with the United States to develop a cooperative approach to Beijing.

Second, the Japanese are convinced that their long-term strategic interests are best served by maintaining good relations with China. The Japanese do not want ever again to be in conflict with China, or even to be estranged from that country, as they were during the Cold War. Being on good terms with China not only creates a less threatening security environment, it also frees Japanese attention and resources for other problems. In support of this objective, Tokyo has devised several mutually reinforcing policies:

- It has mounted a broad, sustained effort to cultivate the trust and good will of the Chinese leadership.

- It has avoided pressing for the resolution of potentially contentious issues.
- It has given evidence that it wishes to be as supportive as possible of the Chinese modernizaton effort.
- It has demonstrated its commitment to establishing closer Sino-Japanese relations by resisting strenuous Soviet opposition to that process.

Over the longer term, the Japanese apparently hope that these measures will help to strengthen the position of the relatively moderate elements in Beijing that Tokyo believes are most likely to want to remain on good terms with Japan. At the same time, there can be no guarantee that future Chinese governments will always be as friendly toward Japan as the current one is. The consequence for policy is that Tokyo will not directly support the modernization of the Chinese military establishment and has serious reservations about the wisdom of US policies that might serve that end.

Third, the Japanese are determined to ensure that Tokyo and Moscow never come into conflict or even drift into a situation in which a possibility of conflict exists; Tokyo is mindful that the Soviet Union could easily destroy Japan. A policy in support of this interest has been more difficult to devise. In general, Tokyo has tried to implement two seemingly contradictory but actually balanced policy lines. First, it has:

- Sought to reassure Moscow that Japan has no hostile intentions toward the Soviet Union and will not join with third countries in hostile actions against it.
- Tried to show that it is willing to cooperate on a businesslike basis with Moscow's effort to accelerate the economic development of Siberia.
- Maintained that it is ready to conclude a peace treaty as soon as Moscow returns the Northern Territories.

At the same time, Tokyo has made clear that it is not wholly passive. It:

- Acquired through the Mutual Security Treaty with the United States a deterrent against the perceived Soviet threat.
- Created armed forces of its own to supplement, and enhance the credibility of, the treaty.
- Has persisted in pursuing good relations with the two most threatening potential enemies of the Soviet Union.
- Has become less inhibited about expressing its displeasure with, and taking countermeasures against, Soviet actions deemed detrimental to Japanese interests.

Economic Considerations

A widespread assumption exists that Japanese foreign policy is dominated, if not determined, by a drive for economic advantage. In the case of relations with China and the Soviet Union, however, broad strategic considerations not only have played a more potent role in shaping major policy decisions, but have exerted a strong influence over the manner in which many apparently unrelated activities—including economic—have been conducted.

Nonetheless, Japanese decisionmakers have been sharply attuned to economic considerations, which have influenced their view of how, and for what purposes, Japan should approach the Soviet Union and China.

Trade. The trading relationship between Japan and the two Communist powers has been based on an exchange of Chinese and Soviet energy resources, raw materials, and relatively unsophisticated manufactured goods for Japanese steel, machinery, and whole plants.

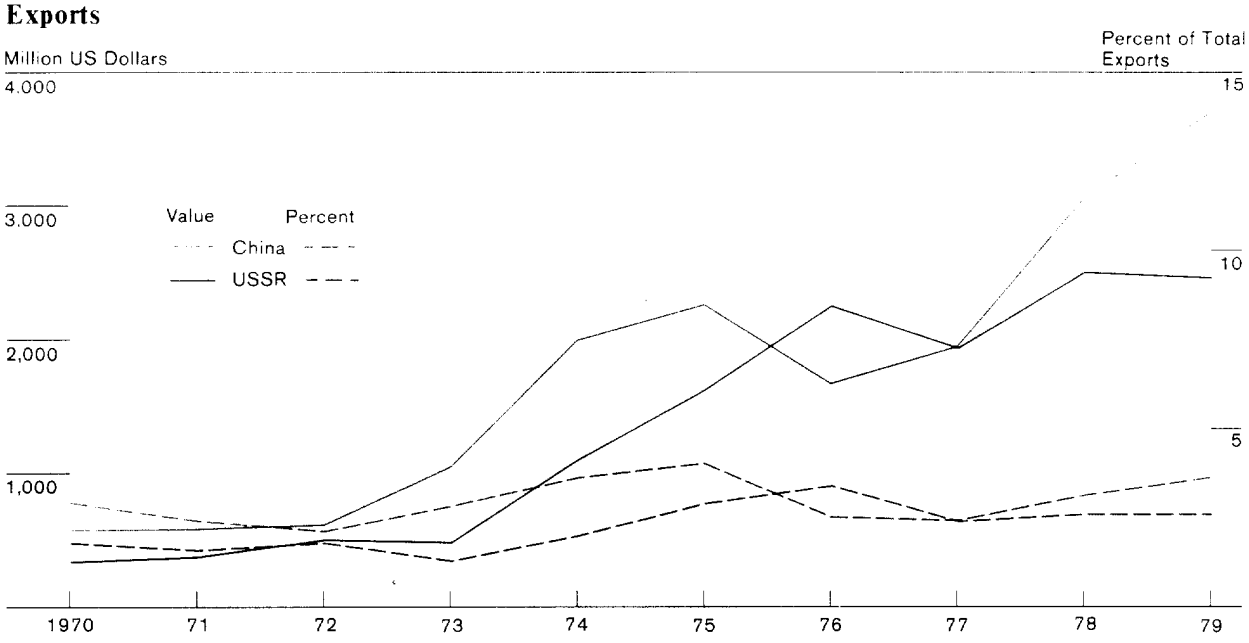
In the case of China, Japanese imports and exports have followed roughly parallel lines and have moved through two periods of rapid increase, from 1973 to 1975 and from 1978 to the present (see figure 1).[1] The growth curves for Sino-Japanese trade generally have followed those for China's overall foreign trade; both have tended to respond to economic and political developments within China.

In the case of the Soviet Union, imports grew rapidly in 1973 and 1974 and then leveled off. Similarly, exports expanded between 1974 and 1976 and then slowed. The two bursts of activity in Sino-Japanese trade coincided with major political breakthroughs in bilateral relations, and the upsurge in Japanese-Soviet trade occurred during the years when bilateral relations were relatively good.

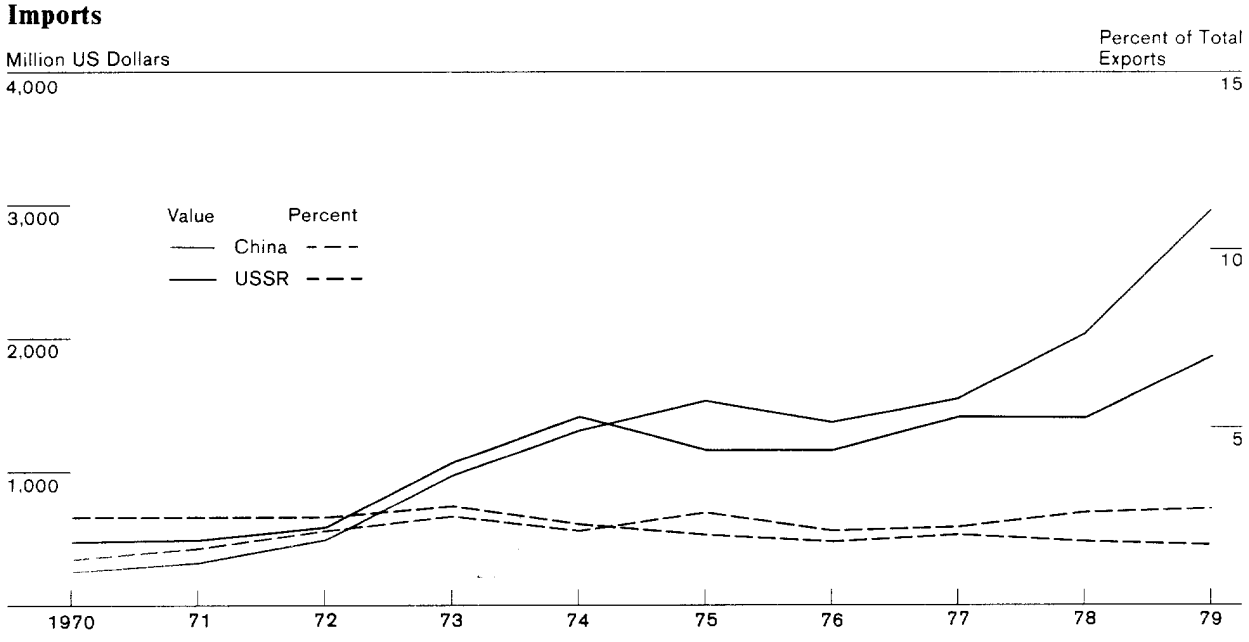
[1] Data on Japan's trade with China and the Soviet Union are provided in appendix A.

Figure 1: Japan's Trade With China and the USSR

Exports



Imports



China generally has been the more important trading partner for Japan. In every year but 1976, the value of Japan's exports to China exceeded that of its exports to the Soviet Union. In every year since 1975, imports from China have been greater than those from the USSR. In the past two years, the gap between the two countries in both categories has widened dramatically. [redacted]

As impressive as the rates of growth in bilateral trade have been in some years, Japan's trade has expanded so rapidly that the percentages of the total accounted for by China and the Soviet Union have remained low. The Soviet share of Japanese imports has been about 2 percent for the past six years and has been declining; China's share is growing but is still below 3 percent. The proportion of Japanese exports accounted for by the two countries is only slightly larger: about 2.5 percent for the Soviet Union, below 4 percent for China [redacted]

In assessing the extent of Japan's dependence on China and the USSR it is necessary to examine the commodity composition of the two countries' trade with Japan (see figure 2). Japanese imports from China and the USSR are dominated by raw materials. In the critical energy sector, Japan has not been dependent on either country for a large enough proportion of its requirements to give either China or the USSR significant economic or political leverage over Japan. [redacted]

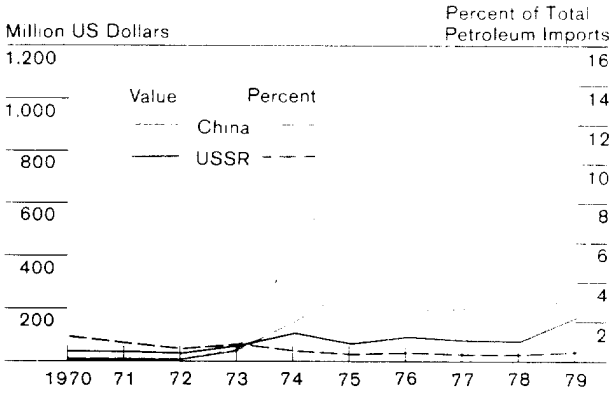
Since 1974, the value of Japan's petroleum imports from China has grown rapidly, yet China's share of Japan's total petroleum imports has remained low and stable at 2 to 3 percent. Japan obtains even less of its petroleum from the Soviet Union [redacted]

The relative position of the two Communist powers is reversed when it comes to coal; Japan has drawn much more of its coal from the USSR than from China. The value of imports from China, however, is increasing, while that from the Soviet Union is declining. The Soviet share of Japan's total coal imports, although not insignificant at 4 to 5 percent, has not been impressively large. [redacted]

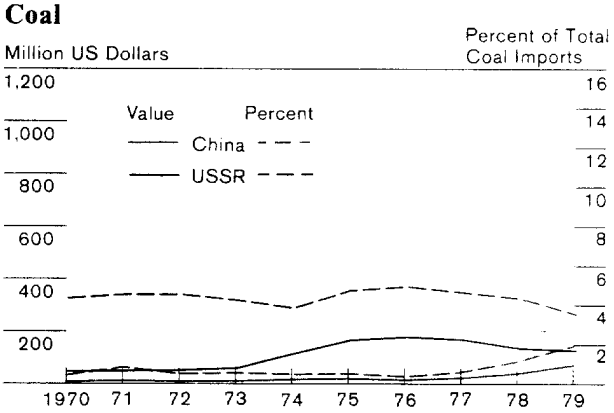
The one commodity that looms large in Soviet exports to Japan, and which implies a degree of Japanese dependence, is timber. Although the Soviet share fell [redacted]

Figure 2: Japan's Imports From China and the USSR

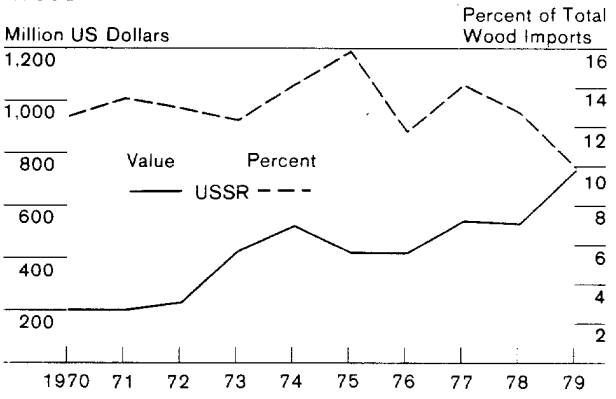
Petroleum[a]



Coal



Wood



[a] Includes crude petroleum and petroleum products.

[redacted]

to 10 percent in 1979, for most of the past decade Soviet timber has accounted for between 12 and 16 percent of Japan's timber imports. Japan obtains no timber from China.

Japanese businessmen consider the Soviet Union and China to be important export markets. Although their respective shares in total Japanese exports have been small, the Japanese believe the long-term potential for a rapid increase in demand for Japanese technology, equipment, and steel is large. Moreover, these markets have taken on greater importance as recession in the West has lowered the demand for such goods (see figure 3)

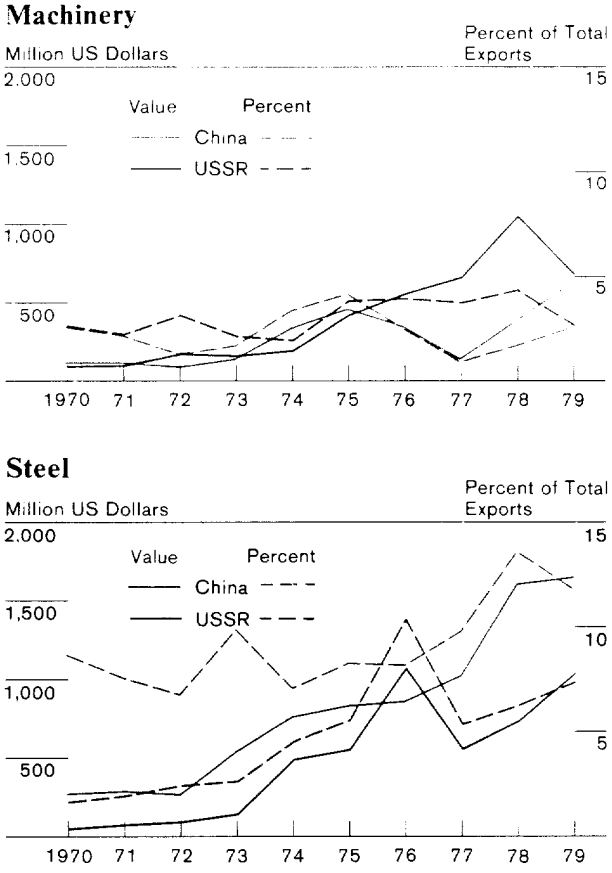
The two most prominent commodity categories of Japanese exports to China and the USSR are steel and machinery. In machinery, the Soviet Union has proved to be the larger and more stable market; exports to China have oscillated in response to shifts in Beijing's foreign trade and modernization policies. In 1979, however, the gap between the two almost closed. In four of the past five years, machinery exports to the USSR represented 4 percent of total Japanese shipments—enough to be favorably noted by Japanese businessmen and officials.

With almost 20 percent of Japanese steel exports going to China and the USSR in 1979, a degree of export dependence seems to have developed in steel. In this area China ranks first, with imports from Japan growing steadily, reaching a value of more than $1.5 billion and accounting for more than 11 percent of Japanese steel exports in each of the past two years. Exports to the Soviet Union are also substantial, representing 5 to 7 percent of total steel exports for the past five years (except for 1976, when they jumped to 10 percent). Japanese steelmakers, therefore, can by no means afford to ignore these markets.

Resource Development Projects. An important aspect of Japan's effort to promote expanded trade with the two Communist countries has been Tokyo's support for resource development projects in both China and the USSR.[2]

[2] Additional detailed information on these projects is provided in appendix B.

Figure 3: Japan's Exports to China and the USSR



A basic component of Japan's long-term economic strategy is a continuing worldwide search for fuels and raw materials. Two key elements of this process are an effort to diversify Japan's sources of supply and a readiness to provide the credits, capital goods, and technology necessary to develop new mines, oilfields, and timber deposits.

The trade data suggest that, in general, China and the Soviet Union have not emerged as important sources of supply. Nevertheless, so massive are Japan's requirements that the joint projects it has negotiated, first

with the Soviet Union and more recently with China, are from their points of view impressive in scope and represent badly needed sources of foreign exchange (see figure 4)

The first requirement of resource development projects has always been credit. The projects tend to have lengthy gestation periods and to be very expensive, and prospective partners often have been able to expand production to meet Japanese needs only when Japan has been willing to finance a major share of the costs. China and the Soviet Union have been no exception.

In 1968, long before Beijing was willing to permit foreigners to participate in joint projects, Moscow negotiated its first resource development contract with Japan. The formula devised became the prototype for all subsequent bilateral compensation agreements. Japan supplied $163 million worth of machinery, equipment, and consumer goods backed by Export-Import Bank credits and in return received a portion of the natural resources that were developed—in this case, logs and timber for Japan's housing industry. A second agreement followed in 1971, calling for $50 million in Japanese equipment in return for manufacturing pulp and wood chips for the Japanese paper industry. In addition, in 1970, the Japanese put together an $80 million package that permitted the expansion of Vostochnyy Port near Nakhodka so that it could handle a larger volume of coal and timber exports to Japan.

It was not until 1974-75, however, when Tokyo made its first large-scale, government-to-government loans to the Soviet Union, that the process got under way in earnest. In a highly political gesture, Japan's Export-Import Bank released more than $1 billion in credits—$550 million for equipment for a second major timber project, $450 million for developing the Chul'man coal field in South Yakutia, and $25 million toward the cost of the initial exploration phase of a possible multi-billion-dollar effort to exploit Yakutia's natural gas deposits. In addition, Japan committed $152 million to exploration for Sakhalin offshore oil and gas—with repayment dependent upon discovery of oil. Much of the expansion in bilateral trade that took place in subsequent years was fueled by these loans (see figure 5).

In the Soviet Union (and later in China), the Japanese often became deeply involved in the development process, although they were permitted only a limited on-site presence and no equity participation. In the case of Siberian timber, for example, Japan provided:

- Assistance in project planning and execution.
- The machinery necessary to reach and cut the timber and transport it to a rail line or river.
- Plants for processing some of the timber into pulp, wood chips, or lumber.
- Equipment and technology necessary to expand port-handling capacity.
- Ships to carry the timber and timber products to Japan.
- Consumer goods to lure Soviet workers to work on the project

None of these ventures would have materialized had Japanese businessmen and officials not been convinced that they were profitable and consistent with the broad, long-term economic interests both of the relevant industries and of the country as a whole. At the same time, however, the government also hoped that the ventures would demonstrate Tokyo's good will and help promote an improvement in bilateral relations—possibly even inducing the Soviets to discuss the vexatious territorial issue.

Since 1974-75, Japan's interest in Siberian development seems to have waned. All of the credits released since then have been supplementary to agreements made earlier:

- Two additional loans for equipment for South Yakutsk coal—$90 million in 1977 and $40 million in 1979—bringing the total for the project to $580 million.
- In 1979, a second $70 million loan for Sakhalin oil and gas exploration, raising the total for the project to $222 million.
- Agreement on a large-scale timber development deal is expected to be reached soon; this will represent the third phase of a project that has been under way since 1968.

No wholly new projects have been undertaken. Moreover, the giant Yakutsk natural gas venture seems certain to go the way of the abortive Tyumen oil pipeline scheme. Existing projects will be continued

Japanese-Supported Resource Development Projects in China and the Soviet Union **Figure 4**

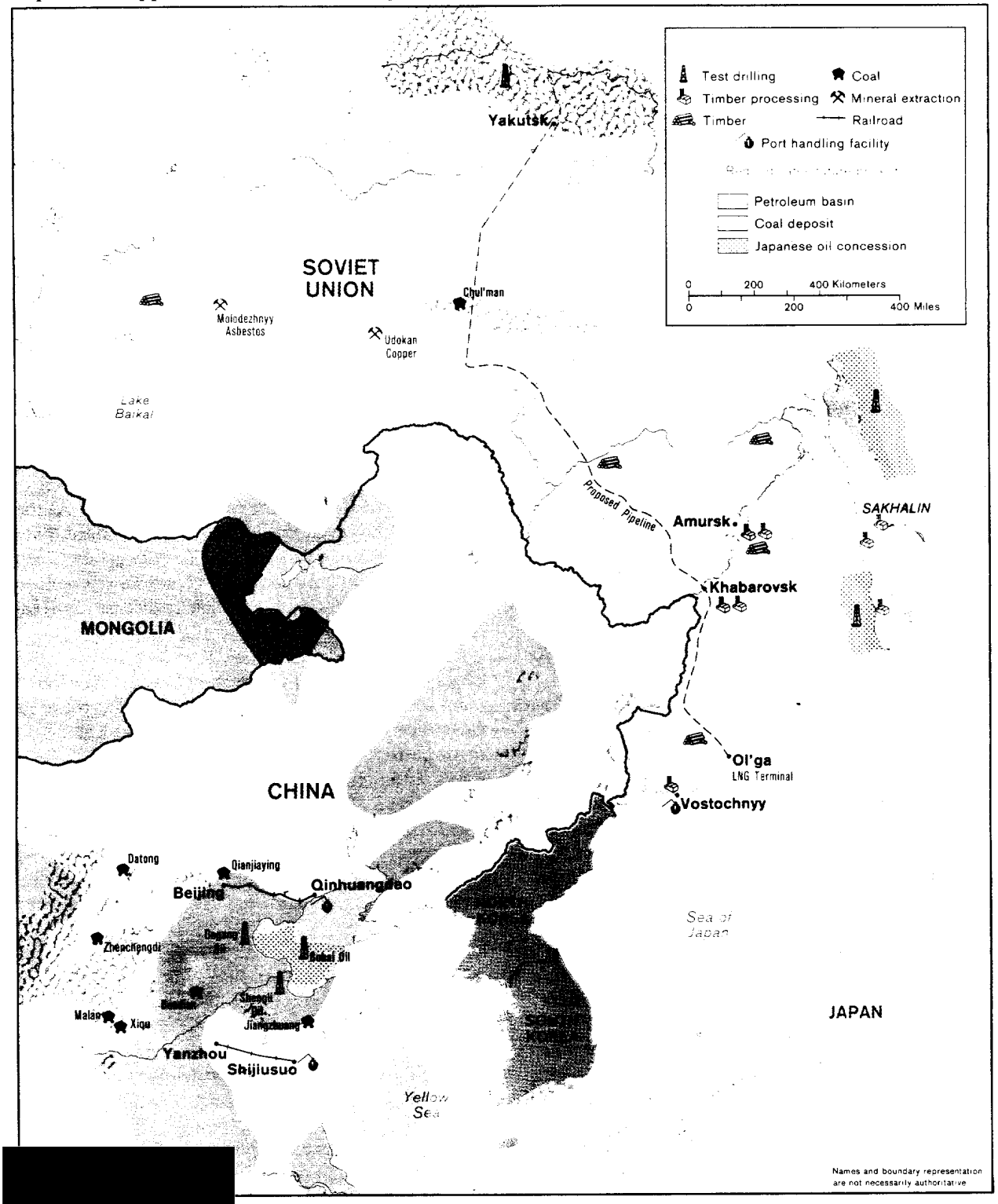
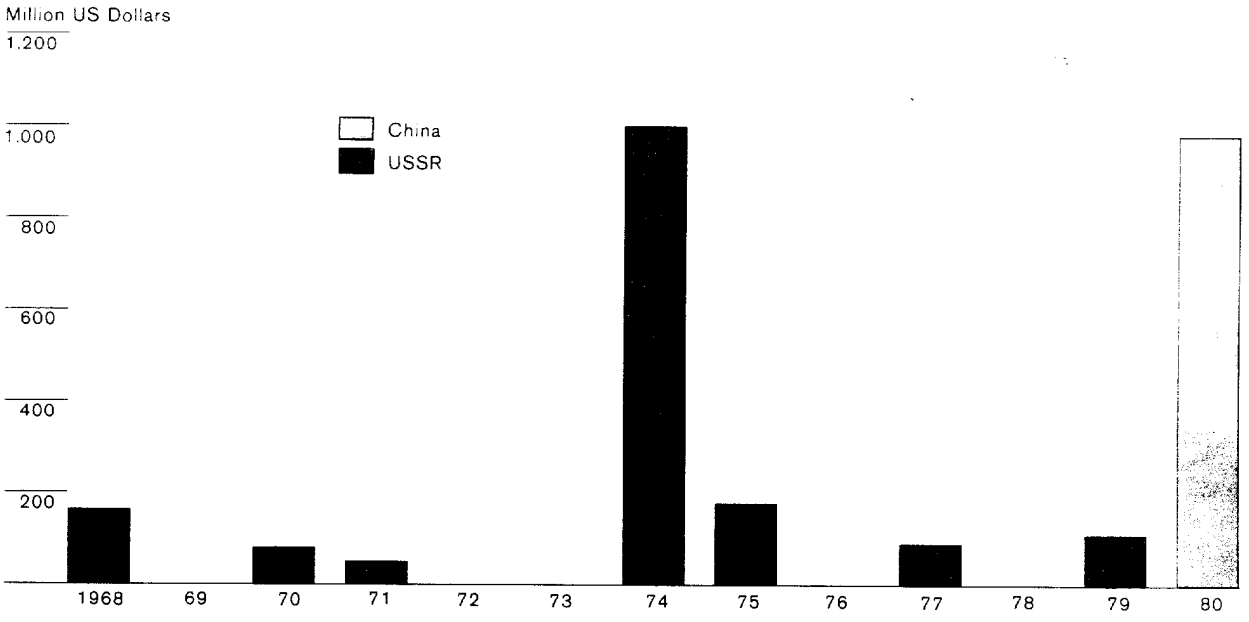


Figure 5: Japanese Loan Commitments Related to Resource Development Projects in China and the USSR



and perhaps expanded, but no dramatic departures appear to be in the offing.

Both sides had their reasons for not pressing ahead with new resource deals. The Soviets have moved more slowly in recent years, both in expanding trade with the West and in negotiating joint projects in Siberia. The rapid growth of Moscow's debt in the mid-1970s forced a more cautious approach for a time. Moreover, problems in installing and operating the large amount of imported equipment led to a sharp drop in orders from the West

Japan has been reluctant to move further ahead in Siberia for both economic and political reasons. Siberia's severe climate, great distances, and perennial labor shortages are serious obstacles to profitable development. Moreover, the Soviets have proved to be difficult business partners. They have sometimes overplayed their hand, apparently convinced that the Japanese, hungry for the resources that Siberia has to offer, will ultimately accept Soviet terms. But Japanese entrepreneurs are used to operating in a global economic arena and evaluate Siberian resource development projects in light of the alternatives. During the late 1970s, Japanese businessmen seem to have calculated that it would be more prudent and profitable to pursue diversification elsewhere. Nevertheless, they have kept the door open by continuing at least to discuss new projects with the USSR.

The gradual deterioration of political relations during these same years also seems to have affected Tokyo's willingness to back ambitious new projects in Siberia. Japan's political and bureaucratic leaders evidently saw little strategic incentive for promoting ventures that were often questionable economically and that would increase the country's dependence on the Soviet Union at a time when Moscow seemed increasingly unfriendly and oblivious to Japanese hopes for Soviet flexibility in the political arena. The Soviet invasion of Afghanistan reinforced this perception.

The Chinese did not finally decide that it was in their interest to invite Japanese involvement in resource development until 1979-80. The change in policy was a consequence of two converging imperatives. First, having decided to step up the pace of modernization by importing more foreign technology, machinery, and whole plants, the Chinese leadership had to devise means of earning more foreign exchange. Among the most promising options was to greatly increase their exports of coal and petroleum, both of which could find a ready market in Japan. If the Japanese could be persuaded to provide the credits necessary to expand oil and coal production, this would help Beijing manage a second problem—meeting China's own burgeoning energy requirements. Beijing also may have been receptive to Tokyo's overtures because the Japanese were willing to help remove the transportation bottlenecks impeding the expansion of China's export capacity and because they offered generous financial arrangements—easier in terms of interest rates and repayment periods than those granted the Soviets and easier than those offered China by other Western nations.

As in the case of its ventures in the Soviet Union, Tokyo's position on resource development projects in China has been the product of a complex of political and economic considerations. Political objectives seem to have weighed more heavily in shaping the Japanese approach toward China, however, most obviously in Tokyo's decision to extend aid in the form of long-term loans at highly concessional interest rates. Tokyo evidently hopes that this aid and the expanded exports it will permit will not only help to cement closer bilateral relations but will support, if only indirectly and marginally, stability in China. The Japanese believe that the current leadership in Beijing is more likely than any other to discern the benefits for China of building a stable, friendly relationship with Japan and—in spite of the invasion of Vietnam two years ago—is less likely to lead China into dangerous foreign adventures that might disrupt its modernization process.

Resource development agreements concluded with China this year also are intended to serve definite economic objectives. The Japanese see China, like Siberia, as a promising alternative source of supply for the energy resources Japan needs. The Long-Term Trade Agreement (LTTA), signed in February 1978, envisaged a rapid expansion in bilateral trade based on a rapid increase in Chinese oil exports. In May 1979, when it began to appear that the Chinese would not be able to raise the capital necessary to expand their oil production, Tokyo approved a $2 billion line of credit from the Export-Import Bank to develop China's capacity to produce and export energy resources

The focus of the joint effort in the petroleum sector is the offshore fields in the Bohai Gulf. In May 1980, final agreement was reached on a $485 million Export-Import Bank loan that the Chinese could use to cover their half of development costs. Since this sum is to be matched by the Japanese investors participating in the venture, almost $1 billion in Japanese capital has already been committed to this one project.

Beginning in 1979, however, Beijing began to suggest to the Japanese that it might not be able to sustain the rate of increase in oil exports to Japan called for in the LTTA, that, instead, oil exports probably would level off, and that it might take longer than anticipated to bring the Bohai field into production. Meanwhile, the Chinese stressed, until new oil became available, coal offered the best hope of fostering further increases in Japan-China trade.

China's failure to fulfill the promises it had made in 1978, owing largely to excessively optimistic oil-production forecasts made in the mid-1970s, came as a disappointing setback to those Japanese who had been at the forefront of the effort to promote a major expansion in bilateral trade. Together with other commercial difficulties encountered at this time,

[redacted]

The two ports, two railroads, and seven coal mines are mutually dependent and reflect what appears to be an integrated development strategy designed to expedite the flow of coal to Japan. Unlike the Japanese-supported resource development projects in the Soviet Union, which are scattered across Siberia east of Lake Baikal, the 11 coal-related projects are concentrated in a small area around Bohai, which is also the location of the Japanese oil exploration effort. [redacted]

Political Considerations

Many of the events and trends outlined above filter through, and are distorted by, the domestic political process, from which they return to the decisionmakers, often in narrowly focused, idiosyncratic, emotion-laden forms. Two closely related key points need to be made in this connection, one related to general Japanese perceptions of the Soviets and Chinese, the other to Soviet and Chinese access to the Japanese political system. [redacted]

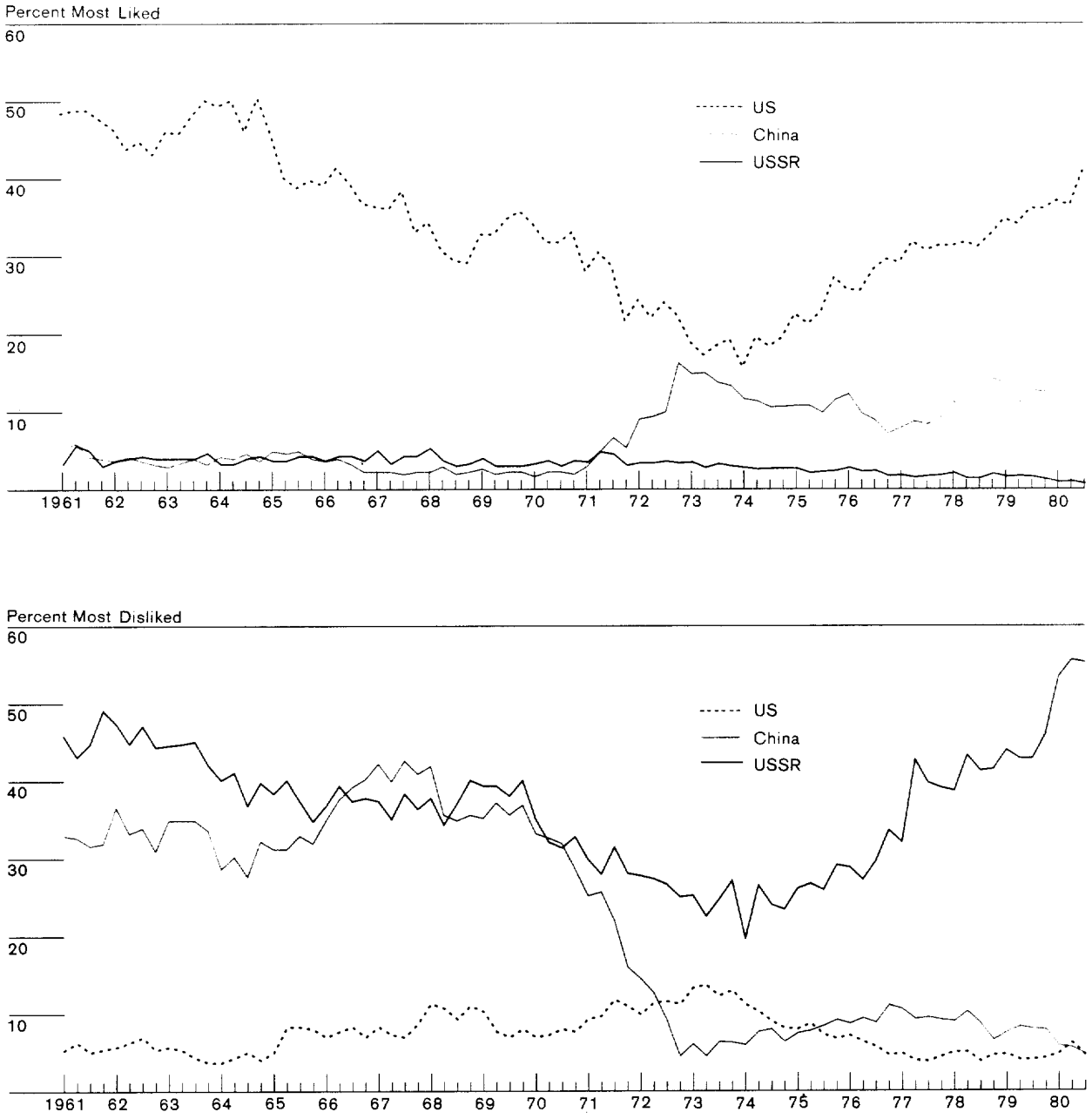
[redacted]

Public attitudes appear to have undergone dramatic changes over the past 20 years (see figure 6). During the 1960s, 30 to 50 percent of the Japanese disliked both countries. Less than 5 percent liked one or the other. With the advent of detente, however, dislike of China and the Soviet Union declined. In the case of China, negative perceptions plummeted in the wake of the euphoria surrounding the restoration of diplomatic relations, and increasing numbers of Japanese apparently came to hold positive sentiments toward Beijing. No comparable upswing in liking for the Soviet Union occurred. [redacted]

The most striking development to take place after the shift in opinion in the early 1970s was the increase in public dislike for the Soviet Union in the later years of the decade; in the year since Afghanistan, it has risen to unprecedented heights. Thus, at the beginning of the 1980s, the Japanese public is far more favorably disposed toward China than toward China's adversary. [redacted]

The Chinese have found it much easier than have the Soviets to penetrate and influence the Japanese political system. The Japanese people are highly conscious of the extent to which Chinese civilization has influenced their own culture—intellectually, artistically,

Figure 6: Japanese Attitudes Toward the US, China, and the USSR[a]



[a] Data points are quarterly averages based on responses to identical questions posed over a 20-year period in the monthly nationwide poll conducted by the Jiji Press. Those polled were asked to select from a list of countries the three that they most liked and the three that they most disliked.

linguistically, and in terms of social, political, and religious norms. The Japanese also appear to respond positively to the fact that the two peoples are of similar racial stock. Overall, this respect and affinity for China affects current Japanese attitudes. In addition, many people feel residual guilt about Japan's aggression against China in the 1930s and 1940s.

In general, therefore, the Japanese public is more likely to be sympathetic toward Chinese points of view and more willing to be persuaded that they are worth serious consideration. The Chinese have recognized the opening this has given them and for 30 years have supported a sophisticated campaign to build support in Japan and persuade the Japanese to back positions favored by China.

Except for the steadily shrinking minority of Japanese who still look to the Soviet Union as the chief defender of world socialism, few Japanese feel any bond—sentimental, cultural, or otherwise—with the USSR. On the contrary, most Japanese strongly dislike Communism—particularly the Soviet variety—and are aware of their country's historic rivalry with the Russian Empire. What respect there is tends to be directed at the Soviet military—and here the respect is colored by fear. Far from feeling guilt toward the Soviet Union, the Japanese harbor a sense of grievance for Moscow's last-minute entry into World War II and its annexation of what they regard as Japanese territory. The Soviets have not attempted a campaign similar to that mounted by Beijing, possibly because they have realized that in such a climate no comparable opportunity existed for them. To the extent that they have tried to intervene in the Japanese political process, their approach has generally been crude and counterproductive.

From the perspective of the Japanese decisionmaker, efforts to strengthen relations with China will thus tend to be popular, while similar efforts to improve relations with the Soviet Union are likely to yield more limited political rewards. Given the recent increase in popular antipathy toward the Soviets, Japanese politicians may be more inclined to adopt a firm position toward the USSR, while they will tend to view opposition to close Sino-Japanese relations as a liability.

Prospects

Continued Drift Toward Beijing

Tokyo's drift toward China and away from the Soviet Union appears to have gathered considerable momentum. Barring unexpected changes in the complex of determinants shaping Tokyo's policy, Soviet-Japanese relations probably will remain cool through at least the mid-1980s; they may even deteriorate further. Sino-Japanese relations, on the other hand, probably will continue to grow stronger.

On the assumption that this will take place in a context of continued coolness in US-Soviet relations, a basically healthy US-Japan alliance, and further improvement in Sino-US relations, the Soviet Union will find itself increasingly isolated in Northeast Asia. If, as seems likely, Moscow attempts to arrest this development by resorting to the same heavyhanded methods it has used in the past, it will only reinforce the process, which has come to be sustained by the shared concern of the other three powers about Soviet behavior and intentions.

This does not mean that Tokyo desires to take sides with Beijing against the Soviet Union—much less conclude an alliance with China or adopt an antagonistic stance toward the USSR. The Japanese are convinced that either policy would endanger national security, and they will be careful to ensure that the realignment does not proceed too far. Should there be signs of an incipient crisis in Soviet-Japanese relations, Tokyo will do its best to avert it. By the same token, while Tokyo is likely to invest considerable effort in further consolidating Japan's relationship with China, it will also maintain a certain distance from the Chinese. It will resist pressure to conform its policies to those of Beijing, particularly in areas of Soviet sensitivity. For at least the next few years, it is not likely to cooperate, except indirectly, in China's military modernization program or to permit its defense officials to go beyond limited contacts with their Chinese counterparts. In addition, the Japanese have concerns of their own about what a militarily powerful China might portend for their security.

9201565 35

Japan also is bound to experience considerable frustration in its future economic dealings with China and to retain a lively interest in the economic benefits of stable, if not greatly expanded, trade with the Soviet Union.

Siberian oil and gas, coal, and timber will be in demand in Japan for the indefinite future, and a desire to retain and expand access to this source of supply will inhibit the government from taking steps that it believes might seriously alienate Moscow—including taking the lead in enforcing a severe sanctions policy against the Soviet Union. In addition, the Japanese consider the USSR a valuable market for exports of technology, machinery, whole plants, and steel products. The government has backed these exports in the past with Export-Import Bank credits and is likely to continue to do so, particularly if slow growth in the West limits Japanese sales in these markets. On the other hand, to the extent that bilateral relations cool, Tokyo is likely to become more cautious about increasing its financial stake in the Soviet Union or becoming dependent on that country for too large a share of its requirements for imported fuels and raw materials.

Barring a serious deterioration in bilateral relations, Tokyo will approve Japanese participation in the exploitation of Sakhalin offshore oil and gas resources.

. If, as now seems likely, Japanese businessmen decide that it is worthwhile to proceed to the production phase, Tokyo probably will approve the project. Although this could turn out to be larger than any of the joint resource development ventures negotiated thus far, the volumes of oil and gas delivered to Japan still would not be large enough to create a significant degree of energy dependence on the Soviet Union. For strategic and economic reasons, Tokyo would insist that any imports of Soviet natural gas be delivered in liquefied form by tankers rather than through a pipeline to Hokkaido.

In any case, given the present stage of the various joint resource development projects, it is unlikely that exports of Soviet natural resources could increase substantially before the mid-1980s because:

-
- Prospects for the development of Sakhalin oil and gas seem promising but full-scale production its not likely before 1985.
- Agreement—anticipated in early 1981—to proceed with a third timber project will ensure continuity in shipments of timber products to Japan, but at roughly the same levels as in the past. (S NF NC)

What might cause Tokyo to review the bidding on Siberian resource development projects would be a deepening of the crisis in world energy supplies. One possibility that already may be under consideration would be to accept the steam coal overburden currently being stripped from the Chul'man coking coal scheduled to be exported to Japan. Another and more significant possibility is that the Japanese could decide to go ahead with the large Yakutsk natural gas project without US participation. Here again, however, large-scale deliveries of steam coal probably would not begin until the mid-1980s or of gas until the later years of the decade

920565 '35

Nevertheless, Tokyo's commitment to support China's modernization effort is not likely to be shaken, and Japan's trade with China probably will continue to be larger than that with the USSR. Moreover, by 1985 China is likely to be exporting more oil and coal to Japan than will the Soviet Union.

If Japan continues to move toward China and away from the Soviet Union, and if the incipient Japan-China-US entente continues to coalesce, US interests will be affected in two principal ways:

- Tokyo will be likely to persist in its effort to strengthen its defense ties with the United States and increase its conventional military capabilities by accelerating implementation of its midterm defense plan.

- Moscow, for its part, is likely to perceive these developments as threatening, or at least damaging, to Soviet interests and might initiate countermeasures in other regions or on other issues that would adversely affect US interests.

Alternative Scenarios

Japan will continue to drift toward China and away from the USSR unless one or more of the major assumptions in this study prove wrong. Among these assumptions, perhaps the most critical involve future Soviet and Chinese policies toward Japan.

This paper has assumed that China's policy toward Japan is basically a function of, first, Beijing's strategy for dealing with the perceived threat from the Soviet Union and, second, its strategy for accelerating modernization. Of the two, the second is probably the most susceptible to change. Given the magnitude of the task that China's current leadership faces over the next few years, it is possible that a series of overlapping and reinforcing failures could generate social, economic, and political stresses sufficiently serious to cause a breakdown in the modernization program and provoke a major leadership crisis. Inevitably, one result would be a blow to Chinese foreign trade and Sino-Japanese economic relations, as well as to Chinese economic growth. If the domestic Chinese crisis spills over into the foreign policy arena, as similar crises have in the past, Japan's overall relations with China could become seriously strained. If the Japanese found their friendly overtures being rejected by a more xenophobic, fundamentalist breed of Chinese leaders, they might be less forbearing and understanding than they have been in the past. In any case, the current trend toward stronger, more cordial bilateral relations would be reversed.

It is more difficult to sketch a plausible scenario involving a change in Soviet policy toward Japan that would be substantial enough to slow, much less reverse, the trend toward increased tension in bilateral relations. From the Japanese perspective, there are two principal problems: Moscow's refusal to settle the territorial issue on terms satisfactory to Japan and, more generally, the aggressiveness that has characterized the recent foreign policy of the Soviet Union as symbolized by its invasion of Afghanistan. A major improvement in bilateral relations almost certainly could not be achieved without major changes in the Soviet approach to both problems. This is not likely to occur.

An adverse Japanese reaction probably is one of the potential costs the Soviets find least painful to contemplate when making decisions affecting basic defense or foreign policy. Therefore, it is more fruitful to focus on the possibility that Moscow might alter its policy on the Northern Territories, the less important of the two problems.

The Soviets may question whether they would really gain very much if they returned the disputed islands. The Japanese might sign a peace treaty but refuse to adopt a more cooperative attitude toward the Soviet Union. As an object of Japanese friendship and cooperation, the Soviet Union in any case would still rank well below China, to say nothing of the United States. Soviet fear that returning the islands would stimulate East European and Chinese appetites for

adjustments in their borders with the USSR is probably the most important constraint inhibiting the USSR from making a move in this direction. The Soviets also want to avoid losing the rich fishing grounds and the opening of the Sea of Okhotsk to foreign military penetration.

Nevertheless, a shift in Moscow's position on the Northern Territories is possible, if only because current policy entails such heavy costs for the Soviet Union in Japan. Some Japanese hope that the new Soviet leadership that will be in place by the mid-1980s might undertake such a shift. The likelihood of a Soviet initiative would increase if Moscow perceived an opportunity to make gains in other arenas. For example, if Sino-Japanese relations deteriorated, Moscow might calculate that an all-out peace offensive toward Japan—one involving real concessions on the territorial issue and perhaps more advantageous trade terms for the Japanese, as well as acquiescence in current Japanese security policy—might be successful. The Soviets might hope not only to clear the way for the signing of a peace treaty and a significant improvement in bilateral relations, but also to woo Japan away from China and toward the USSR.

If Moscow decided to release all four of the disputed islands, Tokyo would immediately agree to sign a peace treaty. Tokyo might even agree to a settlement involving only two of the islands, although the political benefits for the Soviets of a less generous package would not be as great. Coupled with a sustained effort to take a more accommodating approach on other issues, an acceptance of the political realities in Japan, and greater sensitivity to Japanese points of view, either form of an islands-for-treaty exchange could lead to a substantial improvement in Soviet-Japanese relations. Depending on developments on other fronts, it might fulfill Moscow's hopes of drawing Japan closer to the Soviet Union and away from China.

If either of the two principal alternatives materialized (strained Sino-Japanese relations or improved Soviet-Japanese ties), the possibility that a US-China-Japan entente might emerge would recede and Japan would return to a position more nearly equidistant between the two Communist powers. This would tend to assuage some Soviet concerns and thus reduce the stimulus for disruptive Soviet behavior.

If Sino-Japanese relations deteriorated but Soviet-Japanese relations remained cool, Tokyo would have even greater incentives to build up the SDF and engage in more serious defense cooperation with the United States.

If Soviet-Japanese relations improved while Sino-Japanese relations remained friendly, the impetus for a more positive approach to defense issues presumably would be reduced. Tokyo might then permit allocations to defense to increase at a slower rate and display less interest in giving substance to US-Japanese defense cooperation.

Appendix A

Japan's Trade With China and the USSR, 1970-79

Table A-1

Japan's Trade With China and the USSR

	Exports				Imports			
	Million US $		Percent of Total Exports		Million US $		Percent of Total Imports	
	China	USSR	China	USSR	China	USSR	China	USSR
1970	569	341	2.9	1.8	254	481	1.3	2.5
1971	578	378	2.4	1.6	321	496	1.6	2.5
1972	609	504	2.1	1.8	491	594	2.1	2.5
1973	1,041	485	2.8	1.3	971	1,076	2.5	2.8
1974	1,989	1,102	3.6	2.0	1,307	1,419	2.1	2.3
1975	2,256	1,624	4.0	2.9	1,532	1,168	2.6	2.0
1976	1,663	2,252	2.5	3.4	1,371	1,168	2.1	1.8
1977	1,939	1,934	2.4	2.4	1,547	1,416	2.2	2.0
1978	3,049	2,502	3.1	2.6	2,030	1,409	2.6	1.8
1979	3,699	2,461	3.6	2.6	2,955	1,869	2.7	1.7

[redacted]

Table A-2

Japan's Imports of Fuels From China and the USSR

	Coal				Petroleum [a]			
	Million US $		Percent of Total Coal Imports		Million US $		Percent of Total Petroleum Imports	
	China	USSR	China	USSR		China	USSR	China
USSR								
1970	4	44	.39	4.3	2	33	.07	1.2
1971	8	46	.79	4.5	2	32	.06	.88
1972	5	49	.46	4.5	2	26	.04	.58
1973	7	57	.51	4.2	35	56	.51	.83
1974	13	111	.44	3.8	419	103	1.9	.48
1975	17	164	.48	4.7	747	64	3.6	.30
1976	12	176	.33	4.9	579	89	2.5	.38
1977	20	166	.56	4.6	665	76	2.6	.29
1978	37	133	1.1	4.3	781	73	3.0	.28
1979	69	124	1.9	3.5	1,119	161	2.9	.42

[a] Includes crude petroleum and petroleum products.

[redacted]

Table A-3

Japanese Imports of Wood From the USSR

	Million US $	Percent of Total Wood Imports
1970	198	12.5
1971	197	13.4
1972	226	12.9
1973	422	12.3
1974	520	14.1
1975	417	15.8
1976	416	11.7
1977	538	14.1
1978	528	12.7
1979	732	9.9

[redacted]

Table A-4

Japanese Exports of Machinery to China and the USSR

	Million US $		Percent of Total Machinery Exports	
	China	USSR	China	USSR
1970	79	87	2.3	2.6
1971	79	92	1.9	2.2
1972	52	164	1.0	3.1
1973	101	152	1.4	2.1
1974	300	186	3.1	1.9
1975	423	415	3.9	3.8
1976	306	551	2.2	3.9
1977	100	654	0.6	3.7
1978	347	1,043	1.4	4.3
1979	590	674	2.3	2.6

[redacted]

Table A-5

Japanese Exports of Steel to China and the USSR

	Million US $		Percent of Total Steel Exports	
	China	USSR	China	USSR
1970	237	45	8.4	1.6
1971	254	69	7.3	1.9
1972	232	87	6.5	2.4
1973	506	137	9.6	2.6
1974	726	484	6.8	4.5
1975	796	548	8.0	5.5
1976	823	1,062	7.9	10.3
1977	986	550	9.5	5.3
1978	1,567	726	13.3	6.2
1979	1,611	1,028	11.5	7.3

[redacted]

9201565 '35

Appendix B

Japanese-Supported Resource Development Projects in China and the USSR, 1970-79

Table B-1

[redacted]